

WASHINGTON, DC -- Congresswoman Linda Sánchez, Chairwoman of the House Judiciary Subcommittee on Commercial and Administrative Law (CAL), issued the following opening statement today at the CAL Subcommittee legislative hearing on H.R. 3652, the "Protecting Employees and Retirees in Business Bankruptcies Act of 2007."

"The headlines this past week have been particularly disturbing regarding our Nation's auto manufacturing industry:

"GM announced that it was closing four truck and SUV plants in North America

"Chrysler reported a 25% drop in sales for last month as compared to May 2007.

"Likewise, Ford reported a 16% drop in sales for last month, and, in May, its F-150 pickup truck lost its status as best-selling vehicle in the United States for the first time since 1991.

"The airline industry, with fuel costs almost tripling since 2000, also is cutting costs and trying to raise revenue. In addition to increasing fares, some airlines are now charging for checked baggage and seat selection and others are eliminating basic amenities. Yesterday, the Wall Street Journal reported that United Airlines was planning to ground its less fuel-efficient planes and possibly furlough some of its employees. And while many of the principal airlines are well into their bankruptcy reorganization process, there has been another wave of bankruptcy filings by airlines in recent months including Aloha Airlines, ATA Airlines, Skybus Airlines, Frontier Airlines and Eos Airlines.

"As the economic forecast of these companies becomes bleaker and bleaker, we are forced to consider the need to preserve jobs, employment benefits, and protections for retirees against the backdrop of how these issues would be treated under Chapter 11 of the Bankruptcy Code. How do we protect the jobs and livelihood of American workers while preserving the economic viability of US companies?

"As many of you know, last year our Subcommittee conducted two oversight hearings on how American workers and retirees are fairing in Chapter 11 bankruptcy cases.

"Our first hearing revealed a series of cases where chief executive officers of businesses in Chapter 11 receive outrageously large salaries and bonuses, while they simultaneously slash the wages, benefits and even jobs of workers who are the backbone of these businesses. It is clear that under these practices, Chapter 11 is becoming a place where the "rich are getting richer, while the poor are getting poorer."

"Then in September, we heard how Chapter 11 is being used by some businesses to bust unions and deprive retirees of hard-won wages and benefits, including pension and health insurance, that long-time employees had already factored into their retirement plans. Sam Gerdano, Executive Director of the nonpartisan American Bankruptcy Institute, observed, "In case after case, bankruptcy courts have applied Congressional intent favoring long-term rehabilitation to sweep aside wage and benefits concessions won at the bargaining table."

“Chapter 11 of the Bankruptcy Code was originally enacted to give all participants an equal say in how a business □ struggling to overcome financial difficulties □ should reorganize. Unfortunately, this laudable goal does not reflect reality, especially for American workers.

“I commend House Judiciary Committee Chairman John Conyers for his leadership in addressing these problems by his introduction of H.R. 3652, the “Protecting Employees and Retirees in Business Bankruptcies Act of 2007.” This important bill will do much to preserve jobs and re-level the playing field for American workers in Chapter 11 business bankruptcy cases.”